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Panel on Development

Meeting on 23 June 2009

Background brief on Operation Building Bright

Purpose

This paper provides background information on the Operation Building Bright (the Operation) and summarizes the views and concerns expressed by Members during past discussions on the subject.

Background

2. At the meeting of the Panel on Development (the Panel) on 31 March 2009, the Administration presented a proposal to implement the \$1-billion Operation at a non-recurrent government expenditure of \$700 million, together with a contribution of \$150 million each from the Hong Kong Housing Society (HKHS) and Urban Renewal Authority (URA), to assist owners of about 1 000 old buildings to carry out repair works over the next two years. The funding proposal was approved at the Finance Committee meeting on 24 April 2009.

3. According to the Administration, there have been widespread suggestions from Legislative Council Members and various stakeholders in the community that expediting building maintenance is a pragmatic way of creating additional jobs in the construction industry. The experience of HKHS and URA in the implementation of various assistance schemes to promote building maintenance and repair reveals that voluntary maintenance of old buildings is often hampered by the absence of owners' organizations and/or the presence of absentee, elderly, low-income and non-cooperating owners. This situation is more serious for old buildings, buildings with low rateable values, and those without owners' corporations (OCs).

4. The Operation aims to achieve the dual objective of creating more job opportunities in the decoration and maintenance sector of the construction industry as well as promoting building safety and improving the cityscape and living environment. Under the Operation, the Administration in collaboration with HKHS and URA will provide targeted financial support to owners of old and dilapidated buildings to carry out voluntary repair and maintenance works. Where owners are unable to organize repair works by themselves, the Buildings Department (BD) will take complementary actions to mandate such works.

5. The Operation is "building-based" and target buildings of the Operation have to meet the following criteria --

- (a) the buildings are residential or composite buildings aged 30 years or above;
- (b) the buildings comprise no more than 400 residential units;
- (c) the average rateable value of the residential units does not exceed \$100,000 per annum for buildings in urban areas, or \$76,000 per annum for buildings in other areas; and
- (d) the buildings lack maintenance or are in dilapidated conditions, requiring maintenance or repair works (examples include buildings subject to statutory orders issued by BD).

6. Target buildings will be divided into two categories. Category 1 covers buildings with OCs and Category 2 covers buildings having difficulties in coordinating repair works, such as buildings without OCs.

7. There will not be asset or income means tests. All owners of target buildings (including residential and commercial units) can receive a grant amounting to 80% of the cost of repair, subject to a ceiling of \$16,000. Elderly owner-occupiers aged 60 or above can receive a grant to cover the full cost of repair, subject to a ceiling of \$40,000.

8. The grant must be used for repair works in common areas of target buildings. It should first be used for repair works in common areas relating to improvement of building structural safety and sanitary facilities. After covering the cost of these works, any remaining grant may be used for other repair and improvement works in the common areas. The details of the two types of works are given in **Appendix I**.

Members' concerns and views

9. The Administration briefed the Panel on the proposal for implementing the Operation at the Panel meeting on 31 March 2009. Members were in support of the Operation and agreed that it should be launched as soon as possible to create job opportunities and enhance building safety. Individual members expressed the following concerns and views --

- (a) the Administration should work in collaboration with the relevant trade unions so that unemployed workers could be recruited to carry out works under the Operation;
- (b) more construction companies should be allowed to participate in the Operation;
- (c) the Administration should review the list of priority items to include the repair of defective fire safety installations and clearance of unauthorized building works (UBWs);
- (d) responsible owners who had all along kept their buildings under good conditions would not be able to benefit from the Operation;
- (e) the Administration should effectively monitor the tendering procedures of OCs to prevent malpractices;
- (f) OCs should be allowed adequate time to apply for joining the Operation;
- (g) the ways for the Administration to recover the costs from the owners;
- (h) buildings which were less than 30 years old but in highly dilapidated conditions should be included in the Operation; and
- (i) "through-train" services should be provided to facilitate OCs to make application under the Operation.

10. The Administration responded that workers in the construction sector would benefit from the Operation, which would increase the number of job opportunities in the sector. Contractors would have to employ more workers in order to cope with the additional number of works projects during the period. The Administration had engaged two term contractors at present for building repair works, each with a contract sum limit of about \$20 million. The Administration would have to engage more contractors to carry out the repair works under the Operation.

11. Regarding the list of priority items for use of the grant under the Operation, the Administration advised that if UBWs in common areas were to be included as priority items, the progress of other repair works of a higher priority would be affected. UBWs would generally be handled according to the existing policy. OCs could remove UBWs on their own initiative and the Administration would coordinate with them as far as possible. As regards fire services installations, the Administration subsequently included "repair of defective fire safety constructions, and fire service installations and equipment of buildings" as a priority item in the relevant proposal to the Finance Committee.

12. The Administration also advised that the tender procedures to be adopted by OCs would have to adhere to the requirements under the relevant legislation. OCs would be required to properly invite tenders. HKHS and URA would monitor whether the tender prices obtained by OCs were reasonable before disbursing the necessary grants. The timeframe in respect of target buildings with OCs shown in the Administration's paper was for reference only and it was not meant to be the deadline for completing a certain procedure. If owners refused to repay the relevant repair costs incurred by the Government, BD could register a charge against the land titles concerned.

13. On the building age criterion, the Administration indicated that if the total number of target buildings was not so great and sufficient funds were still available after carrying out repair works for selected buildings, the Administration could consider reviewing the criterion. Currently, there were other building maintenance assistance schemes in operation. Owners could obtain detailed information about each scheme and they could apply for more than one scheme if they met the relevant eligibility criteria.

14. When the relevant funding proposal was discussed at the Finance Committee meeting on 24 April 2009, individual members expressed the following additional concerns and views --

- (a) whether it was permissible to carry out beautification works for target buildings;
- (b) the criteria/mechanism for according priorities to eligible target buildings;
- (c) the basis for determining the level of subsidy; and
- (d) measures to prevent corrupt practices.

15. The Administration responded that the Operation allowed some beautification works arising from the repair works. As regards the number of buildings, the Administration's intention was to cover as many buildings as possible by fully utilizing the \$1 billion provision. Where necessary, the

priorities of the eligible target buildings under Category 1 would be determined by computer ballot. The selection of Category 2 buildings would be jointly made by a steering committee comprising representatives of BD, HKHS and URA in consultation with the District Councils. As the works were mainly concerned with structural safety and were based on professional assessment, an appeal mechanism would not be necessary.

16. As regards the levels of subsidy, the Administration advised that the ceiling of \$16,000 was worked out on the basis of an 80% subsidy for the estimated average repair cost of \$20,000 for each owner of an eligible building. The subsidy level of \$40,000 for elderly owners aged 60 or above was modelled on the rate approved for the Building Maintenance Grant Scheme for Elderly Owners.

17. On the concern about possible corrupt practices, the Administration advised that a three-pronged approach would be adopted to prevent corrupt practices under the Operation. The staff of HKHS and URA would inspect every selected building and provide advice on procedures and requirements, scope of maintenance works required, preparation of tender documents, tender assessment, and appointment of Authorized Persons and contractors. The OCs concerned would be required to follow the tender procedures and invite a sufficient number of contractors to bid for the works in order to ensure open and fair competition. As the Operation was a specific measure aimed at creating job opportunities and enhancing building safety, the Administration considered that it should be launched as soon as possible. If fine-tuning to the Operation was considered necessary in the course of implementation, this would be considered.

Recent developments

18. On 26 May 2009, the Financial Secretary announced a new round of relief measures including, among others, increasing the provision for the Operation by \$1 billion. The Administration will brief the Panel on 23 June 2009 on the latest progress of the Operation and its proposal of increasing the provision for the Operation.

Relevant papers

19. A list of the relevant papers with their hyperlinks in the Legislative Council website is in **Appendix II**.

Appendix I

Use of grants under the Building Operation Bright

The grant must first be used for repair and maintenance works in common areas of target buildings relating to the structural and fire safety of buildings as well as the sanitary facilities, including --

- (a) repair of building structure, e.g. repairing loose, cracked, spalled or defective concrete;
- (b) repair of external walls of buildings, e.g. repairing defective rendering and mosaic tiles;
- (c) repair or replacement of defective windows;
- (d) repair of building sanitary services, e.g. repairing, maintaining and replacing defective soil, waste, rainwater, vent pipes and underground drainage; and
- (e) repair of defective fire safety constructions, and fire service installations and equipment of buildings.

Maintenance works in association with the works in (a) to (e) above, including investigation works and professional services; and any incidental or consequential works, such as touch-up and finishing works arising from the repair or remedial works, will also be covered.

After covering the cost of works stated in the paragraph above, any remaining grant may be used for additional repair and improvement works in the common areas, including --

- (a) removal of unauthorized building works and illegal rooftop structures;
- (b) improvement of fire safety constructions, and fire service installations and equipment of buildings;
- (c) improvement of building services and facilities, e.g. repairing, maintaining and replacing lifts, electrical wiring, gas risers and fresh water pipes;
- (d) maintenance or improvement works for slopes and retaining walls; and

- (e) repair of water-proofing membranes at rooftops and flat roofs and works to alleviate water seepage problems.

Maintenance works in association with the works in (a) to (e) above, including investigation works and professional services; and any incidental or consequential works, such as touch-up and finishing works arising from the repair or remedial works, will also be covered.

(Source: Discussion paper FCR(2009-10)3 for Finance Committee meeting on 24 April 2009)

Operation Building Bright

List of relevant papers

Council/Committee	Date of meeting	Paper
Panel on Development	31 March 2009	<p>Administration's paper on Operation Building Bright (LC Paper No. CB(1)1125/08-09(03)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0331cb1-1125-3-e.pdf</p> <p>Administration's paper on Operation Building Bright (Speaking note of the Secretary for Development) (LC Paper No. CB(1)1204/08-09(02)) (Chinese version only) http://www.legco.gov.hk/yr08-09/chinese/panels/dev/papers/dev0331cb1-1204-2-c.pdf</p> <p>Administration's paper on Operation Building Bright (Flowchart) (LC Paper No. CB(1)1204/08-09(03)) (Chinese version only) http://www.legco.gov.hk/yr08-09/chinese/panels/dev/papers/dev0331cb1-1204-3-c.pdf</p> <p>Administration's paper on Operation Building Bright (Leaflet) (LC Paper No. CB(1)1204/08-09(04)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0331cb1-1204-4-e.pdf</p>
Finance Committee	24 April 2009	<p>Administration's paper on Operation Building Bright (FCR(2009-10)3) http://www.legco.gov.hk/yr08-09/english/fc/fc/papers/f09-03e.pdf</p>